CHAPTER - II

REVIEW OF LITERATURE

The main objective of this chapter is to study the literature available on organisational effectiveness and decision making styles among the managers of business organisations. The whole literature review has been presented under the following main headings:

2.1 Organisational Effectiveness
2.2 Decision Making Process and Styles
2.3 Organisational Effectiveness and Decision Making Style

2.1 Organisational Effectiveness

Researchers in the last twenty years, have attempted to clarify the meaning of organisational effectiveness. Studies have been made with references to efficiency, productivity, turnover, absenteeism, profitability as indicators of effectiveness. But there is no conclusive evidence about the dimensions of effectiveness. Seashore (1962) studied that the rate of growth determined effectiveness. It was found to be different at different stages of the organisational life cycle. Mohr (1971) described that organisations that employ very routine, repetitive technology may perform best when they rely on a highly formalised structure. Similar
results were noted in several studies. (Burns, 1961; Lawerance and hirsch, 1967; Perrow, 1967; Zwerman, 1970).

In a study, More (1971) has tried to find out the relationship between organisational effectiveness and administrative efficiency. He has observed significant relationship between these variables. Some investigators have stressed upon the task design as a factor which affects both employees performance and satisfaction and these variables in turn affect the effectiveness (Hackman, 1971; Steers, 1974; Porters, 1975).

Mott (1972) found that there are certain aspects of normative environment such as rules, policies, and guidelines which are closely related to overall effectiveness and there also exists strong relationship between functional integration and effectiveness. Negandhi and Shetty (1972) also attempts to find out the relationship between organisational effectiveness and utilisation of human resources. The sample of study included 15 American subsidiaries and local firms in India. Higher effectiveness was found in those companies which have better utilisation of human resources. But McIntire (1972) concluded that organisational effectiveness is not directly related to individual behaviour.

Kashefi -Zihagi (1972) described that there were
certain value patterns that found to be interrelated with organisational effectiveness namely sense of accomplishment, social recognition, ambition, broad mindedness, responsibilities imaginativeness, courage etc.

Osborn and Hunt (1974) carried out a study on social service agencies. The results of study indicated that the degree of risk present in the external environment was not related to effectiveness. However, both environmental dependency and inter organisational interaction were found to be positively and significantly related to measures of effectiveness. It was concluded that the manner in which the organisation attempts to link itself with the environment has an important influence on effectiveness.

Michael and John (1974) found that organisational flexibility, adaptability, rationality, trust environment, external work environment are strongly correlated with effectiveness. It was concluded that internal organisational characteristics are more important causes of effectiveness.

Paul M. and Hirsch (1975) explored the interface between constraints imposed by the environment of two industries despite similarities in technology and other aspects of their operation, both industries are compared in
terms of institutional environments primarily from 1950 to 1965. Strong differences in organisation effectiveness, regarding their ability to control these aspects of environment were: pricing and distribution, patent and copyright law, external opinion leaders etc.

Johannes & Pennings (1976) examined the relationship between influence and effectiveness in organisations. The data was collected from 40 widely dispersed offices of a large brokerage firm in the United States. In this study participativeness, centralization and organisational autonomy were analyzed conceptually and operationally and subsequently related to five indicators of organisational effectiveness. The criteria of effectiveness included total production, decline in production, financial loss due to errors, morale and anxiety. The individual and joint effects of variables on organisational effectiveness were very strong. Participatives, decentralised and autonomous organisations were more effective.

Mintzberg (1979) explored that young organisations with simple but dynamic environments and simple technology will be more effective if they rely on simple structure and internal co-ordination via direct supervision. These young organisations will be less effective if they rely on bureaucratic structure and internal co-ordination via direct supervision. These young organisations will be less
effective if they rely on bureaucratic structure and internal co-ordination via formalisation.

Saga, Omer and Bin (1980) investigated the various behavioural and organisational factors as they influenced various features of productivity, organisational health, effective functioning of Bank branches. It was concluded that organisational productivity, effectiveness and health are multi-dimensional concepts. Specifically a number of behavioural and organisational variables contribute to the overall functioning of the bank branches.

Sinha (1980) has also shown statistically significant relationship between organisational climate and perceived measures of organisational effectiveness.

Harold & James (1981) attempted to relate the organisational commitment of lower level employees to organisational effectiveness in organisations offering bus services. The criteria of effectiveness included: adaptability, turnover, tardiness, operating cost and absenteeism. Organisational commitment was found to be associated with organisation's adaptability, turnover and tardiness rate but not with operating cost and absenteeism.

Kim and David (1981) concluded that appropriateness of any particular model of organisational
effectiveness may depend on the environment, the constituency under investigation and the life cycle stage. The system resources model appears to be the most appropriate model when uncertainty, complexity and turbulence are high, or when formalization is low. It was concluded that as the organisations developed, the importance of effectiveness in acquiring inputs gave way to the importance of effectiveness in production output. Individual effectiveness becomes less important over time while organisational effectiveness become more effective.

Azma and Mansfield (1981) explored the relationship between centralization and different measures of organisational effectiveness. Data was conducted on 52 Companies by using a questionnaire. It was found that there were differences in the relationships between centralisation and the different behavioural and economic measures of effectiveness.

Mishra (1982) investigated organisational objectives, structures and process variables as moderators of organisational effectiveness. The sample was considered from three public sector corporations. The results showed a positive correlation between specificity of organisational objectives, centralization, autonomy, supportiveness, control, shared decision making, fair appointment, promotion criteria and free communication. Bureaucracy was negatively
correlated with effectiveness.

Allen (1982) studied the relationship between stress and the perceived effectiveness of formal organisation. The sample consisted of 183 respondents from 4 firms. The findings of study reveal that there exists negative relationship between stress and perceived organisational effectiveness.

Zahir (1984) has developed a model for evaluating organisational effectiveness in a developing and planned economy. Treating external environment factors as independent variables, management philosophy and process as intermediate variables and management effectiveness as a dependent variable, organisational effectiveness as an end result variable. The model expresses the basic formulation that external environment influence management philosophy and then both effect management process that in turn determines the management effectiveness. To determine the ultimate effectiveness organisational goals and national goals have to be integrated. It was concluded that organisational effectiveness cannot be achieved without management effectiveness.

Baack (1987) investigated five measures of effectiveness namely - Survival, growth, system development of inputs, system development of the
transformation process, efficiency and sub unit prestige. It was concluded that efficiency-effectiveness relationship may be more complex.

Taylor (1987) examined that size and centralisation were highly correlated but negatively contributed to the effectiveness measures. Formalisation related positively and significantly to all effectiveness measures, while complexity related similarly only with two of the structural variables. Formalisation was the best predictor of effectiveness.

Chattrain (1988) studied the relationship between two job related attributes, job satisfaction and organisational effectiveness. The results of the study showed that three subscales of the job description index that measures satisfaction were positively related to organisational effectiveness. On the other hand commitment was to be inversely related to organisational effectiveness. Finally, the two indicators of effectiveness, financial performance and consumer satisfaction was found to be negatively inter-related.

The results of study conducted by Ashton (1988) indicated that consideration was the highest contributor to effectiveness, followed by initiating structure and then adaptability.
Omer Bin Sayeed (1991) explored relationship between organisational health and organisational effectiveness parameters along with the assessment of individual differences to moderate the relationship between organisational health and effectiveness. The results of this study showed that organisational dimensions such as adaptiveness, organisational excellance contributed significantly to organisational effectiveness measures. The overall analysis revealed significant relationship between productivity and dimensions of effectiveness, whereas the relationship with adaptability and the composite measure of effectiveness was insignificant. Although moderate effects of individual differences were found to be statistically non-significant. The finding suggested a meagre influence of individual differences.

A.K. Tiwari (1992) assessed the relationship between union control and organisational effectiveness. The sample consisted of 240 respondents selected from 12 textile mills situated in U.P. Measures were used to assess organisational effectiveness. These were overall organisational performance, organisational satisfaction and organisational motivation. Results showed insignificant relationship between union control and measures of effectiveness. It was concluded that the amount of control was not related with organisational effectiveness.
Cheri Neal (1993) examined the relationship between effectiveness, efficiency and various characteristics of organisations namely: resources, inputs, context, rules and regulations, goals, climate and informal system. The analysis revealed that different sets or configurations of organisational characteristics were meaningfully related to the different organisational classification.

S.N. Bishwas (1993) explored a comparative study between regional rural banks and distinct co-operative banks on twenty six facts of organisational climate and eight dimensions of organisational effectiveness. The results showed mixed response that out of 26 facts of organisational climate, the organisations differed significantly on eleven facts. Co-operative banks having significantly higher scores on eight facts. But only two dimensions of effectiveness showed significant differences between the organisations.

Dean, David Lawrance (1993) measured the effectiveness of an organisation and it was concluded that efficient management has directly affected the effectiveness of an organisation.

Alexander Chacko & R.N.Anantharaman (1994) tested the relationship between organisational effectiveness and
organisational climate. The study was conducted in two public sectors and two private sector organisations. Significant correlations were found between organisational effectiveness and organisational climate. Multiple regression of the nine dimensions of organisational climate on organisational effectiveness showed 43% variation. Long range planning was considered as the most important criteria of organisational effectiveness by respondents in the public sector and in the private sector. The dimension of societal value was assigned greater importance in the public sector than in the private sector.

Kim, Helen (1994) explored the relationship of behaviours to effectiveness and advancement. The results indicated that the behaviours were significantly correlated with both effectiveness and advancement. It was concluded that behaviours which influence effectiveness also influence advancement.

Adith & Michael (1994) determined the relationship if any, between the level of planning practices sophistication and organisational effectiveness among the firms in France and the United States. Returns on sales and sales growth served as surrogate measures of organisational effectiveness. The findings of the study showed significant relationship between these variables. It was concluded that
organisational effectiveness can be improved by extensively engaging in planning.

On the basis of above studies, it can be concluded that organisational effectiveness is a multi-dimensional concept and it is related to employees performance and satisfaction, rules, policies and guidelines of the organisation, efficiency, climate and informal system.

2.2 Decision Making Process and Styles

The study of decision making process and decision making styles has been the major interest of both practitioners as well as researchers. During past several years, interactional behaviour of superiors and subordinates has been an object of speculation as well as scientific investigation by social and behavioural scientists. Several theoretical as well as empirical contributions have however revealed the basic agreement that various decision styles of the executives represent different degree of influence on subordinates and also it is the fact that there is no best style of decision making for all situations. Different situations required different styles (Tannenbaum, 1957).

Dubin (1970) have reported that subordinates who were involved in decision making process were more productive than those who were not involved in the decision
Witte (1972) found that communication activities dominate the decision making process.

Elance and Aggarwal (1975) investigated the leadership behaviour taking different variables affecting the leadership style along with delegation of authority of 123 executives from public and private sector undertakings. They found that 67% executives in private sector and 57% of them in public sector units have employed democratic decision style.

Sinha (1976) concluded in his study that nurturant task orientation style of leader or manager is important for achieving moderate degree of productivity in an organisation. With this style employees can be motivated towards harder efforts and work commitment, and after that management can adopt the participative decision style.

Hitt and Middlemist (1979) found strong support for the validity of manager's decision models derived using simulated cases by obtaining evaluations from superiors who have observed these managers' actual decision making behaviour.

Habibullah and Sinha (1980) studied 523 executives of BHEL to find out various factors of leadership behaviour.
They have found ten factors namely: Subordinate based participation, leaders centered nurturance, authoritative guidance, encouragement, discretion task-orientation, friendly-orientation, power, role performance, distance and discipline.

White (1980) found that group decision making processes lead to effectiveness in implementation.

Richter (1980) studied the effects of participation in decision making among school students. It was found that participation in decision making lead to favourable attitude towards the school and the subjects.

Sahu (1981) found that workers have shown considerable interest to participate in decision making process of the organisation and the management has also shown willingness to accept workers' involvement in the decision making but at the distant level. He observed that most of the organisations were not functioning satisfactorily due to lack of decision making power and proper information sharing system.

Jauhri Lal (1983) examined the decision making style of managers and found that managers preferred the use of participative than unilateral decision making.

Kasperson (1985) analysed the relationship between
performance and decision making in emergent organisational structure. It was found that low performing organisations relied more upon uninspired decisions and took less time for the decision process.

Jans (1985) found that decision making had indirect effect on job involvement.

Sinha and Kumar (1986) explored interrelationship among leadership styles, interpersonal need structure and organisational climate in middle level executives. Dimensions of interpersonal need structure like expressed control and desired control were found to be positively related and "expressed affection" and "wanted affection" were negatively related with task orientation. Task oriented executives used autocratic modes and people oriented respondents used participative modes of decision making.

Jitendra V. Singh (1986) investigated the relationship between organisational performance and risk taking in organisational decision making. A complex model is proposed in which the direct relationship, which is triggered by performance below acceptable levels is negative, but indirect relationships which are mediated by organisational slack and decentralisation are positive. A test of the model for a cross - sectional sample of firms shows general support for the model.
Some studies have shown both positive and negative relationships between participative decision making and other variables. Positive relationships has been found between participative decision making and satisfaction, self esteem, loyalty, productivity and positive manager – subordinate relation (Alexander, 1983; Hagannes and Hales, 1983; Osborn, 1983; Akel and Seigal, 1988). Participative decision making has negative relationship with high costs, inefficiency and incompetency (Marchington, 1979; Hunt, 1988).

Pollock and Colwill (1987) supported the assertion that participative decision making can result in a loss of managerial power.

The managerial decision making behaviour was studied by Thoha (1990) in relation to three different groups according to three elements of organisational structure (i) Size of organisation (ii) Hierarchical level and (iii) Span of control. The results showed that decision making behaviour among the Indonesian managers, in terms of size of the organisation and / or span of control was not different.

Parnel (1991) concluded that managers who employ participative decision making style with their subordinates also tend to experience higher level of participation with
their superiors.

Subhash Sharma (1992) concluded in his study that only 52% of the officers used directive (Bureaucratic procedural) style as a dominant or very dominant style and 37% used the behavioural decision style in its very dominant mode.

Mattson and Butterfield (1993) examined core decision making orientation of top executives in two organisational cultures i.e. the United States and Ghana (Africa). The findings of this study indicated that there were differences in the decision making orientation of United States and Ghananian executives with regard to rational metaphor. Executives in Ghana preferred more centralised decision making than executives in the United States. There was evidence of association between "decision centralisation" and "intuitive mode"

Hyun and Christin (1993) studied rationality and incrementality in decision process with environmental and oraganisational variables. The results of this study were (i) Decision incrementality increases as the managerial perceptions of environmental uncertainty increases, while decision rationality increases as the preceptions decreases. (ii) Organisations with high decision incrementality performs better in profitability than those with high
decision incrementality. (iii) The decision process becomes more rational as organisational structure becomes more formalised, while the decision process becomes more incremental as structure becomes less formalised.

The study by Johnson and Jeffrey (1994) supported the theoretical point that decision information can lead decision makers to make better decisions, but sources of information and the presentation format are important variables affecting the extent of benefit.

Suresh and Rajindra (1994) explored the relationship between information processing and decision making styles among the executives of a large public sector undertaking in South India. It was found that left brain information processing mode and vigilant decision making style are correlated. Right brain mode is negatively correlated with hyper vigilant, rationalisation and procrastination styles.

Pablo (1994) examined how the task, cultural and political characteristics of acquisition influence decisions about level of integration. The results of this study showed that all of the hypothesised situational features play a role in manager's integration. For the managers in this study, task related criteria were dominant in decision models, but cultural and political determinants were
important as well. Decision policies were not universal among these executives but were instead influenced by their experience with acquisition and the industry classification of their organisations.

Sunder (1995) explored the relationship between risk taking and information seeking in decision making. The findings of the study indicated that there is no significant difference between the male and female participants on the risk taking dimensions but they do differ on information seeking style. No significant correlation was observed between risk taking and information seeking style leading to the conclusion that uncertainty reduction may not be the only goal of information gathering.

Suresh and Rajendera (1995) examined the relationship between decision, self esteem and decision making among executives of a large public undertaking. Decision and self esteem were measured with Flinder's decision making questionnaire-I and decision making questionnaire-II. The findings revealed that positive relationship exists between decision, self esteem and vigilance style but negative relationship is found between decision, self esteem and procrastination and rationalisation. The results have implication of decision, skill, training and decision counseling.
Most of the studies have shown preference for participation and have revealed that participative style leads to better performance.

2.3 Organisational effectiveness and decision making style

The area of research examining the relationship between organisational decision making and effectiveness has remained relatively unexplored.

Mullen (1975) compared the decision making style of managers in three divisions of large automobile insurance company and studied its relationship with efficiency and effectiveness in each division. Each manager showed distinct decision making style, one was democratic, another laissez-faire and third was authoritarian. It was concluded that all three divisions were operating equally at a high rate of efficiency and measures of effectiveness did not show any difference between divisions.

Singh (1977) found in his study that nurturant style had highly positive relationship with different variables of effectiveness.

B.L. Maheshwari (1980) explored relationship between decision making style and organisational effectiveness in public and private sector organisations. Results showed mixed trends. Findings indicated that Indian
managers were neither extremely authoritarian nor highly participative. Organisational effectiveness was multidimensional concept.

Pathak (1981) examined a study of leadership styles and organisational effectiveness of middle level managers in three different sectors namely public, private and government sector. The analysis indicated that the supervisors have flexible leadership style, but most of them did not delegate responsibility to their subordinates. It was concluded that the officers must be trained to delegate responsibility to ensure proper organisational growth.

Lovirch (1985) investigated that participative style in decision making is ethically imperative that improved organisational effectiveness.

Asha Hingra (1986) conducted the study on leadership style and the relationship of these styles to effectiveness. All five leadership styles were found to be significantly correlated with each other. Bureaucratic, nurturant, participative and task orientated style of leadership positively influenced effectiveness except the authoritarian style of leadership which showed a negative impact on the effectiveness.

McCay (1987) concluded in his study that
supportive style leads to more satisfaction and organisational effectiveness.

Six decision making styles were investigated by Hamm (1992) in relation to the effectiveness scale. The rational style of decision making was found to be related positively with effectiveness.

Carter (1992) also investigated the relationship between superintendents style of leadership and the effectiveness.

The conclusion of above cited studies are, as Mullen (1975) stated that decision making style has no effect on the efficiency and effectiveness of an organisation but Asha Hingra (1986) concluded in her study that decision making styles have directly affected the effectiveness of an organisation. B.L Maheshwari (1980) observed that Indian managers were neither extremely authoritarian nor highly participative. They adopt middle line of approach in decision making.

It can be concluded from the above cited review that organisational effectiveness is a multi-dimensional concept like growth of the organisation, profit of the organisation, efficiency, productivity, utilisation of resources etc. It has also been revealed by most of the
studies that various styles of decision making affect the organisational effectiveness.